

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2019-046-00264R

Parcel No. 10-02-251-011

Andrew & Jenny Theesfeld,

Appellant,

vs.

Humboldt County Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on March 11, 2020. Jenny Theesfeld was self-represented. Humboldt County Assessor Linda Fallesen represented the Board of Review.

Andrew and Jennifer Theesfeld own a residential property located at 1002 Timber Ridge Circle, Humboldt. Its January 1, 2019, assessment was originally set at \$458,290. (Ex. 7, 2019 Real Estate Assessment Roll).

The Theesfelds requested an informal review, which resulted in the correction of a listing error and reduced the total January 1, 2019 assessment to \$456,810. (Ex. B).

The Theesfelds then petitioned the Board of Review contending their property was assessed for more than the value authorized by law. Iowa Code § 441.37(1)(a)(2) (2019). (Ex. 7, Petition). The Board of Review modified the January 1, 2019, assessment to \$414,300, allocated as \$31,750 to land value and \$382,550 to improvement value. (Exs. A & B).

The Theesfelds then appealed to PAAB reasserting their claim.

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); see also *Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted).

Findings of Fact

The subject property is a one-story home built in 2016. It has 1912 square feet of gross living area and a walk-out basement with 1400 square feet of living-quarter quality finish. The property is also improved with a 1286-square-foot, three-car attached garage, an open porch, a deck, a screened-in deck, and features a geo-thermal heating and cooling system. The improvements are listed in normal condition with a 2+00 Grade (high quality). The site is 0.54 acres. (Ex. A). The improvements have 1% physical depreciation, as well as a 10% obsolescence adjustment applied to the assessment. The subject property also has an urban revitalization exemption of \$75,000 through December 2023, and a geo-thermal exemption of \$13,040 through December 2028. (Ex. A, p. 6).

Fallesen testified for the Board of Review and explained the subject development is a new subdivision in Humboldt. (Exs. 5 & G). She noted properties located on the exterior streets in the subdivision have higher lot prices than those located on the interior streets. Additionally, the homes constructed on the exterior lots are generally

superior quality compared to the homes built on the interior lots in the development. We note the maps in the record show mature trees on the exterior lots and minimal to no landscaping on the interior lots. The subject property is situated on a cul-de-sac on the north side of the development and also backs to mature trees.

Jenny Theesfeld stated that despite having mature trees behind their home, there is a right-of-way that dumps street water into their backyard resulting in flash flooding and erosion. The Theesfelds did not offer any other evidence of this issue, such as photographs, demonstrating erosion has occurred. Additionally, we note the 2019 Appraisal did not identify any adverse easements, encroachments, or conditions of the subject property's site. (Ex. 1, p. 1).

Theesfeld also testified about the assessment history of their property; noting the first full assessment in 2018 was set at \$383,490. Subsequently, the January 1, 2019 assessment increased by 19.5% and was set at \$458,290. (Ex. 7). Theesfeld explained she requested an informal review of her assessment on April 24, 2019. The deadline for an informal review was April 25. § 441.30. Theesfeld was put off by the fact the Assessor's Office had requested any appraisals of the subject property and noted they had limited time to perform an informal review.

Fallesen verified that Theesfeld sought an informal review on the second-to-last possible day. Fallesen explained the assessment was lowered during the informal consideration period to correct the gross living area of the property from 1950 square feet to 1912 square feet, resulting in an assessment of \$456,810. After appealing to the Board of Review, the 2019 assessment was modified to \$414,300. (Ex. B).

In addition to detailing her personal experiences in appealing her assessment to the Board of Review, Theesfeld submitted newspaper articles regarding PAAB appeals of other property owners in Humboldt County, which were favorable to the petitioners. (Exs. 8-9). She believes they demonstrate a contentious environment for appealing assessments in Humboldt County, which resulted in her need to appeal to PAAB. We do not find these articles relevant to the Theesfelds' claim and give them no consideration.

Theesfeld reported the percent of change between the 2018 and 2019 assessments of her property and six nearby neighboring properties. (Ex. 6). She believes all of these properties are assessed for more than their fair market value. However, comparing the rate of increase of other properties; or comparing the assessments of other properties is not sufficient evidence to support a claim of over assessment. Therefore we give this evidence no consideration.

Theesfeld submitted a list and aerial photograph showing all public sales in her development up until December 31, 2018. (Ex. 3). She also researched properties in the county that sold from January 1, 2015, to December 31, 2018 between \$250,000 and \$850,000. (Ex. 3). She testified the highest sale was in 2018 for \$408,000. Theesfeld also identified two properties that sold in her development in 2019 for \$320,000 and \$418,500. (Ex. 5). Because these sales occurred after the January 1, 2019, assessment date, she does not believe they are relevant. In response, the Board of Review's evidence and Fallesen's testimony indicate properties in the development and the County are generally assessed for less than their fair market value. (Ex. E).

In Theesfeld's opinion, homes in Humboldt County that are listed in the \$200,000 to \$250,000 value range "are hot," but homes above that value range have longer listing periods. (Ex. 4). She reported on four homes in her development, three of which are new construction, that have been on the market for 120 to over 250 days. Facially, it does not appear any of these properties are comparable to the subject.

Theesfeld acknowledged an appraisal can be the most credible and reliable evidence of the fair market value of a property. (Ex. 2) (referencing previous PAAB rulings). She also acknowledged there were two appraisals of the subject property completed in 2017, but she did not consider them relevant because the conclusions relied on 2016 sales.

She could not remember offhand what the prior 2017 appraisal valued her property at, but guessed it was "something higher than \$400,000." Rather than submit existing appraisals, the Theesfelds commissioned a new appraisal completed by Thomas Geelan to aid in their petition to the Board of Review (2019 Appraisal). (Ex. 1). Subsequent to the PAAB hearing, the record was left open and the Board of Review

subpoenaed the 2017 appraisal completed for mortgage purposes (2017 Appraisal).¹ (Ex. H). This appraisal was also completed by Geelan and concluded a value of \$445,000 as of May 2017. Thus, the record contains two appraisals completed by the same appraiser reaching disparate values.

2019 Appraisal

Geelan's 2019 Appraisal has an effective date of May 16, 2019. We note specifically that Geelan's 2019 Appraisal did not report he had appraised the property within the prior three-year period of accepting this assignment as required by the Uniform Standards of Professional Appraisal Practice.² A comparison of the two appraisals shows Geelan reused the interior photographs from the 2017 Appraisal in the 2019 Appraisal.

Geelan identified the subject market as stable with a three- to six-month marketing time. (Ex. 1, p. 1). He noted the subject is located in Eagle Ridge, a newer development with forty-three lots with custom built homes. Geelan reported single-family homes in the area are priced as high as \$750,000. The Board of Review also submitted evidence supporting Geelan's observations. (Ex. F). There are numerous homes in the subject's development of similar or higher quality grade, exterior appeal, as well as features like three- to four-stall garages, gabled roof lines, and brick or stone veneer.

His 2019 Appraisal developed only the sales comparison approach; he concluded an opinion of value of \$400,000. (Ex. 1, p. 2).

The following table summarizes the sales considered in the 2019 Appraisal. (Ex. 1).

¹ The 2017 Appraisal was subject to dispute prior to the hearing and PAAB ordered that it should be disclosed. The appraisal was not disclosed prior to the hearing and at a pre-hearing conference Theesfeld claimed, for the first time, she did not have a copy. The record was left open to allow the Board of Review to subpoena the appraisal from First State Bank and it was admitted as Exhibit H.

² The Uniform Standards of Professional Appraisal Practice (USPAP) require the appraiser to certify that they "have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Standard Rule 2-3. USPAP 2018-2019 Edition, p. 24, lines 736-740.

Comparable	Sale Price	Site Size (Acres)	Gross Living Area (SF)	Basement Finish (SF)	Adjusted Sale Price
Subject		0.54	1912	1530 ³	
1 - 2040 Eagle Ridge Dr	\$408,000	0.61	1874	1499	\$419,900
2 - 3011 Eagle Ridge Dr	\$374,000	0.50	2148	No Finish	\$397,200
3 - 207 Hillside Dr	\$370,000	1.27	1896	1517	\$385,800
4 - 110 Meadow Ridge	\$405,000	1.38	2088	No Finish	\$426,200

Geelan reported Comparables 1 and 2 as being located approximately 1.5 miles from the subject property, when these homes are actually situated in the subject's immediate development. (Ex. G). Fallesen stated these properties are roughly ¼ mile from the subject. Comparables 3 and 4 are located in Algona, in Kossuth County; and in a different school district. Fallesen asserts the Algona market is inferior to the Humboldt market. She indicated the homes he used in Algona are located more rural; both have to be on septic; and one was built as a spec home. She also noted, in the town of Algona, there is a 5-year 100% tax abatement, which would be attractive to prospective buyers.

All of the comparables in the 2019 Appraisal sold in 2018 and are between three- to six-years of age. Comparables 1, 2, and 3 are one-story homes like the subject property; Comparable 4 is a one-and-a-half story home. Geelan identified all of the comparable properties as having similar quality and condition to the subject. He adjusted Comparables 1 and 2 upward \$15,000 each for lacking a wooded view like the subject property. Comparables 3 and 4 were adjusted upward \$10,000 each to reflect the subject's superior geo-thermal heating and cooling system.

All of the property's received upward net adjustments, suggesting Geelan believed they were all inferior to the subject. We note ideally a sales comparison approach utilizes both inferior and superior properties in order to bracket⁴ the subject.

³ Geelan indicates 80% of the subject's basement is finished, resulting in a basement finished area of 1530 square feet. This is greater than the amount of finish listed on the subject's property record card.

⁴ See APPRAISAL INSTITUTE, THE DICTIONARY OF REAL ESTATE 22 (5th Ed. 2010); APPRAISAL INSTITUTE, THE APPRAISAL OF REAL ESTATE 404 (14th Ed. 2013); APPRAISAL INSTITUTE, APPRAISING RESIDENTIAL PROPERTIES 348 (4th Ed. 2007).

Fallesen testified she believed Comparables 1 and 2 are most comparable to the subject. She noted that her opinion is consistent with Theesfeld's statement at the Board of Review hearing. (Ex. D). We note Comparable 1 required the fewest net adjustments and offers the most similar exterior appearance to the subject property. (Ex. 1, pp. 2 & 14). Its adjusted value is \$419,900. Despite the similarities of Comparable 1, Geelan states he gave all four comparables equal consideration and concluded an opinion of market value of \$400,000 in his 2019 Appraisal. We note, however, his conclusion of value is below both the average and median of his adjusted sales, which indicates he did not give them all equivalent weight. The average and median of the four sales are \$407,275 and \$408,550. Despite what is stated in Geelan's report, it appears his final conclusion of value only relies on the average of Sales 1 through 3, which shows an average of \$400,967.

2017 Appraisal

Geelan valued the subject property as of May 2017 for First State Bank. Theesfeld testified that, in her opinion, a bank appraisal inflates market value so the purchaser "can afford that house." She asserts in her market, the labor costs included in construction would not see a return if the property were to be re-sold. Theesfeld did not offer any support for this opinion and we note it is contrary to basic appraisal principles that include labor as a factor of cost.

Similar to his 2019 appraisal (Ex. 1), Geelan identified the subject market to be stable with a three- to six-month marketing time. (Ex. H, p. 1). His narrative in the 2017 financing appraisal is verbatim to the 2019 appraisal, with the exception that he reported single-family homes in the area are priced as high as \$675,000. Because his 2019 Appraisal indicates the top-end of the range at \$750,000, this would suggest the market is at least stable to slightly increasing. Like his 2019 appraisal, Geelan did not identify any adverse site easements or other adverse site factors.

Geelan developed the sales comparison approach and the cost approach to value. (Ex. H, pp. 2-3). His cost approach concluded a value of \$457,359, and his opinion of value based on the sales comparison was \$445,000. His final conclusion of value, as of May 2017, was \$445,000.

The 2017 Appraisal included four sales, which are summarized in the following table.

Comparable	Sale Price	Site Size (Acres)	Gross Living Area (SF)	Basement Finish (SF)	Adjusted Sale Price
Subject		0.54	1912	1530	
1 - 105 Spring Valley Dr	\$540,000	1.15	2378	1680	\$533,300
2 - 2358 Montana Ave	\$500,000	11.5	2675	1175	\$455,900
3 - 1001 Eagle Ridge Dr	\$389,000	0.64	2172	1750	\$407,500
4 - 210 Hillside Dr	\$435,000	1.38	1926	1340	\$444,600

Similar to the 2019 Appraisal, Geelan made minimal adjustments to these comparable properties. The glaring difference between the 2019 Appraisal and the 2017 Appraisal is the broad spectrum in sales prices. The 2019 Appraisal had sales ranging from roughly \$395,000 to \$426,000, compared to the 2017 Appraisal that considered sales between roughly \$407,500 and over \$530,000, with three of the sales having adjusted values above \$440,000.

Unlike the 2019 Appraisal, Geelan developed the cost approach to value in his 2017 Appraisal. He reported the Theesfelds purchased the subject site for \$36,000, and he valued it at \$40,000. (Ex. H, p. 8). He also reported the “cost to construct dwelling, materials, excavating costs is \$485,000.00 according to homeowners and builder.” (Ex. H, p. 8). This puts the actual cost of the subject property at \$521,000.⁵ In his cost analysis, Geelan concluded a cost new of the subject property’s improvements, site, and site improvements of \$522,775.⁶ (Ex. H, p. 6). Geelan applied roughly \$65,500 in “physical depreciation” to the cost analysis despite this being new construction. It would appear his intent was to reflect obsolescence for the property being over built.

⁵ \$485,000 reported construction costs + \$36,000 land purchase price.

⁶ \$457,775 cost new of improvements + \$40,000 site value + \$25,000 “as is” site improvements.

Analysis & Conclusions of Law

Theesfeld's original January 1, 2019, assessment was set at \$458,290, which was only slightly higher than 2017 financing appraisal of the subject property that indicated a cost to construct of over \$500,000 and concluded a market value of \$445,000. (Ex. H). The Theesfelds protested their 2019 assessment first through an informal protest period that resulted in the correction of a listing error and a small reduction in the assessed value. The Theesfelds then protested to the Board of Review, seeking further reduction based on a newly commissioned 2019 appraisal completed by the same appraiser who valued the property in 2017. (Ex. 1). The Board of Review was not privy to the 2017 Appraisal. Based solely on the 2019 Appraisal, the Board of Review lowered the assessment to \$414,300.

On appeal to PAAB, the Theesfelds contend their property is assessed for more than the value authorized by law. Iowa Code section 441.37(1)(a)(2). They seek a reduction of their assessed value to \$400,000 based on the conclusion in the 2019 Appraisal.

In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnty. Bd. of Review*, 759 N.W.2d 775, 780 (Iowa 2009) (citation omitted).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* The sales comparison method is the preferred method for valuing property under Iowa law. *Compiano*, 771 N.W.2d at 398; *Soifer*, 759 N.W.2d at 779; *Heritage Cablevision v. Bd. of Review of Mason City*, 457 N.W.2d 594, 597 (Iowa 1990). "Sale prices of the property or comparable properties in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration in arriving at its market value." § 441.21(1)(b).

Under Iowa law, there is no presumption that the assessed value is correct. § 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted). To shift the burden, the taxpayer must “offer[] competent evidence that the market value of the property is different than the market value determined by the assessor.” Iowa Code § 441.21(3). To be competent evidence, it must “comply with the statutory scheme for property valuation for tax assessment purposes.” *Soifer*, 759 N.W.2d at 782. “A requirement that evidence be competent does not mean that it must be credible.” *Id.* at 784.

We start by determining whether the Theesfelds have offered competent evidence that the subject’s value is different than the market value determined by the assessor in order to shift the burden of proof. § 441.21(3). The Theesfelds offered the 2019 Appraisal valuing the subject property at \$400,000, which they contend supports their claim that the subject property is over assessed. The appraisal values the property using the preferred valuation method - the sales comparison approach. We are not entirely convinced, however, that the sales indicate the subject’s assessment is excessive. Moreover, perhaps unknown to the Theesfelds, there are significant errors in Geelan’s 2019 Appraisal that impair the reliability of its conclusion.

Examining the sales from the 2019 Appraisal, we find Comparable 1 is most similar to the subject. It is located in the same development, required the least amount of adjustments on a net basis, and both Theesfeld and Fallesen indicated their opinions that this property, along with Comparable 2, is most similar to the subject. The subject’s assessment sits between the adjusted sale prices of Comparables 1 and 2, suggesting it is not out-of-line with market indicators.

Comparable 1 is slightly smaller than the subject with less basement finish and sits on an interior lot. Based on his adjustments, Geelan considered this property inferior to the subject and we agree. Yet, the requested value of \$400,000 would place the subject’s assessment below both the unadjusted and adjusted sales price of Comparable 1. At a minimum, Comparable 1 indicates the subject’s value would exceed

\$408,000. In light of the differences between Comparable 1 and the subject, the subject's assessed value of \$414,300 seems reasonable.

Geelan's report indicates he gave all sales equal weight. While we disagree with his decision to do so because of the greater similarity of Comparables 1 and 2, we separately recognize that in concluding his opinion by the sales comparison approach he failed to give any weight to Comparable 4 due to a calculation error. When calculated correctly and given equal weight, the sales would suggest a value above \$407,000.

Additionally, we find the reliability of Geelan's opinion is further diminished by his failure to mention his 2017 Appraisal of the property or reconcile their significant differences. *See Kennedy v. Mills Cnty. Bd. of Review*, PAAB Docket No. 2015-065-00602R through 00613R (Dec. 19, 2016) (where an appraiser completed appraisals in 2012 and 2015 on Kennedy's properties that indicated a decline in value, but her appraisals stated the market was stable and she was unable to explain her determination the property's value had declined). Either this is a substantial error or was the result of impropriety. Neither of these potential causes spurs confidence in his value opinion. We find this issue and the foregoing problems so significant as to severely impair the persuasiveness and reliability of the 2019 Appraisal. Ultimately, although we consider some of its underlying data and information, we find the final value conclusion in the 2019 Appraisal is not credible.

While the Theesfelds' evidence utilizes the preferred valuation approach, we are not persuaded that the most comparable sales show the subject's assessment exceeds its fair market value. Considering Comparables 1 and 2, the subject's assessment is reasonable and fair. On these facts, we do not believe the Theesfelds have shifted the burden of proof to the Board of Review. We find the most persuasive evidence shows the subject's assessment is not greater than its market value and should be affirmed.

Even were we to conclude the Theesfelds had shifted the burden, we find there is substantial evidence to conclude the Board of Review has upheld the assessment. First, as a whole, the record indicates the local market is stable or increasing. Thus, we do not believe it reasonable to conclude the subject's market value has declined by ten percent since the property was appraised in May 2017. Second, the foregoing

comparable sales evidence indicates the subject's assessment should be no less than, but likely greater than \$408,000. Comparable 1, which we found most similar to the subject, has an adjusted value of \$419,900. At \$414,300, the subject's assessment is fair and reasonable.

Viewing the record as a whole, we find the Theesfelds failed to support their claim.

Order

PAAB HEREBY AFFIRMS the Humboldt County Board of Review's action.


This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2019).

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

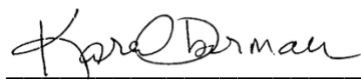
Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A.



Dennis Loll, Board Member



Elizabeth Goodman, Board Member



Karen Oberman, Board Member

Copies to:

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